



SUPREME COURT OF MISSOURI

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-87
August 25, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2003

The following problems were discovered as a result of an audit conducted by our office of the Supreme Court of Missouri.

Supreme Court expenditures from appropriated funds totaled approximately \$1.2 million, \$1.2 million, and \$1.1 million (excluding payroll) during the years ended June 30, 2002, 2001, and 2000, respectively. We noted some payments were processed without a properly approved purchase order and other purchases did not always include an indication of approval by the fiscal officer.

Our tests of payments to employees for travel reimbursements noted most expense reports reviewed were not approved by the employees' immediate supervisor, and expense reimbursement requests are not always submitted on a timely basis. Also, prior approval of out-of-state travel is not always documented.

Our review of agency-provided food expenditures noted the Supreme Court has not established price limits/guidelines regarding per person meal costs for meetings. In addition, expenditure documentation for some meals did not include an accurate listing of who the meals were provided for or documentation of the business purpose for providing the meals.

Concerns were noted with a Supreme Court building historical preservation project, including lack of documentation of the selection process for interior design consulting services and failure to enter into a written contract for such services.

The Board of Law Examiners (BLE) is composed of six members, who are appointed to six-year terms by the Supreme Court. Our audit noted numerous expenditure invoices executed on the BLE Fund did not contain an indication of approval by the BLE director or assistant director, and expenditures were not always supported by adequate documentation. In addition, numerous expenditures for business-related meals were noted which appeared excessive, including a board member being reimbursed \$597 for a meal for herself and two other BLE representatives while attending a workshop in Chicago. Also, some expenditures did not appear to be prudent or necessary uses of these funds.

There is no supervisory review of payroll duties to provide necessary internal controls over the payroll function. The fiscal officer enters all payroll information, including salary amounts and employee information, into the state's payroll system with no supervisory approval or review.

YELLOW SHEET

Vehicle logs did not always include adequate documentation. Instances were noted in which the purpose, destination, and/or mileage was not recorded on the vehicle log.

Concerns were also noted regarding segregation of fixed asset duties and physical inventories.

All reports are available on our website: www.auditor.state.mo.us

SUPREME COURT OF MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT – STATE AUDITOR'S FINDINGS	4-17

<u>Number</u>	<u>Description</u>	
1.	Board of Law Examiners Fund	5
2.	Expenditures	9
3.	Clerk's Trust Fund	14
4.	Payroll Procedures	15
5.	State Vehicles	15
6.	Fixed Assets	16
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION		18-28

Appendix

A	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2002, 2001 and 2000	23
B	Comparative Statement of Expenditures (From Appropriations), Years Ended June 30, 2002, 2001 and 2000	24
C-1	Statement of Receipts, Disbursements, and Changes in Cash (Publications Revolving Fund and all Agency/Non-Appropriated Funds), Year Ended June 30, 2002	25
C-2	Statement of Receipts, Disbursements, and Changes in Cash (Publications Revolving Fund and all Agency/Non-Appropriated Funds), Year Ended June 30, 2001	26
C-3	Statement of Receipts, Disbursements, and Changes in Cash (Publications Revolving Fund and all Agency/Non-Appropriated Funds), Year Ended June 30, 2000	27
D	Comparative Statement of Receipts, Disbursements, and Changes in Cash (Publications Revolving Fund and all Agency/Non-Appropriated Funds), Years Ended June 30, 2002, 2001, 2000, 1999, and 1998	28

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Members of the Supreme Court of Missouri
Jefferson City, MO 65102

We have audited the Supreme Court of Missouri. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2002, 2001, and 2000. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable legal provisions, regulations, contracts, policies and procedures, and other pertinent documents, and interviewed Supreme Court personnel.

As part of our audit, we assessed the Supreme Court's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Supreme Court's management and was not subjected to the procedures applied in the audit of the Supreme Court.

The accompanying Management Advisory Report presents our findings arising from our audit of the Supreme Court.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 24, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Kimberly Spraggs, CPA
Audit Staff:	Jeffrey Wilson
	Randal A. Schenewerk

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SUPREME COURT OF MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Board of Law Examiners Fund

The Board of Law Examiners (BLE) is composed of six members, who are appointed to six-year terms by the Supreme Court. Each board member receives an annual allowance of \$15,000 for work related to bar examinations. The BLE Fund, which is maintained in a bank account controlled by the court, primarily receives registration, examination, and admission fees from bar examination applicants, and pays the related expenses. Effective March 1, 1996, fees and penalties increased significantly and, as a result, the BLE fund balance increased from approximately \$358,000 at June 30, 1995, to approximately \$2,175,000 at June 30, 2002. Supreme Court personnel indicated the BLE is considering using the funds to construct a BLE building. Receipts deposited into the BLE Fund totaled approximately \$1,244,000, \$934,000, and \$936,000 during fiscal years 2002, 2001, and 2000, respectively. Our review of the BLE Fund noted the following:

A. Most BLE Fund expenditures are reviewed and approved by the BLE director or assistant director prior to payment. In addition, the Supreme Court Clerk or his staff review expenditures prior to signing BLE checks. During our review of expenditures, we noted the following:

- 1) Numerous invoices did not contain an indication of approval by the BLE director or assistant director. To ensure the obligation was actually incurred and the goods or services were received, approval should be documented.
- 2) Expenditures were not always supported by adequate documentation. Payments made for credit card purchases were not always supported by the individual credit card slips or supporting invoices. In addition, several expenditures for meals were not supported by a complete listing of all individuals whose meals were charged.

To ensure the validity and propriety of credit card expenditures, all expenditures should be supported by paid receipts or vendor invoices which provide sufficient detail of goods or services being purchased. In addition, meal expenditures should be supported by adequate documentation of those receiving the meals.

- 3) The BLE provides meals to employees and board members during various meetings and exams, and reimburses individuals for meal

expenses incurred while traveling. Numerous instances were noted in which expenditures for business-related meals appeared excessive.

- A board member was reimbursed \$597 for a meal for herself and two other BLE representatives while attending a workshop in Chicago during July 1999.
- The BLE director was reimbursed \$369 for a meal for five people while attending a workshop in Chicago in February 2000.
- Meals provided during two board meetings and two hearings averaged \$27 to \$34 per person for dinner.
- Other expenditures and reimbursements were noted including up to \$16 for breakfast, \$26 for lunch, and \$58 for dinner.

The BLE should consider adopting reasonable maximum limits for meal expenditures and reimbursements. During November 1999, the Supreme Court sent the BLE a letter regarding expense reimbursements and suggested guidelines for maximum meal limits. However, since that time, excessive expenditures were still noted.

4) Some expenditures did not appear to be prudent or necessary uses of funds. Examples of these expenditures were:

- The board held a special dinner for a departing board member, costing \$534 for 10 people. In addition, a gift costing \$169 was purchased for this individual.
- The BLE reimbursed a director's position candidate approximately \$300 for three night's lodging although the interview was for one day.
- A board member was reimbursed \$221 for a rental car, although the two-day workshop she was attending was held in the hotel in which she was staying.
- Board members are allowed to charge personal telephone calls to their lodging bills. One board member charged \$32 in calls to his home residence while in Jefferson City for a two day hearing.

The BLE should ensure expenditures are prudent and necessary.

B. Our review of payments to employees and board members for expense and travel reimbursements noted the following concerns:

- 1) Reimbursements made to board members for travel and other expenses are not always supported by adequate documentation of actual expenses incurred. Some reimbursement requests for travel expenses did not contain sufficient information, such as the trip origin and destination, purpose, number of miles, and mileage rate. Many reimbursements for items such as postage, photocopies, and phone calls were not adequately supported by invoices or other supporting documentation. For example, a board member was reimbursed \$759 for three conference calls; however, there was no documentation supporting the reimbursements. In addition, a board member was reimbursed \$163 for an airline ticket without a copy of the invoice or receipt, or documentation of the purpose of the trip and \$120 for a restaurant meal for which there was no documentation of the purpose or who attended.

Without a detailed expense report including documentation supporting the expenses claimed, the BLE cannot determine the propriety of expense reimbursements. The November 1999 letter from the Supreme Court explained the requirement of adequately documenting expense reimbursement claims. Most exceptions noted occurred prior to August 2000, therefore improvements appear to have been made.

- 2) Expense reimbursements are not always submitted on a timely basis. For example, one expense reimbursement totaling \$929 covered a period of seven months. The BLE should ensure expense reimbursement requests are received on a timely basis.

WE RECOMMEND the Supreme Court:

- A.1. Require approved invoices be on file prior to payment.
- A.2. Require adequate supporting documentation for all expenditures.
- A.3. Establish reasonable limits for meal expenditures.
- A.4. Ensure expenditures are limited to those necessary to support the operations of the BLE.
- B.1. Require detailed expense reports which include information such as trip origin and destination, purpose, number of miles, and mileage rate. In addition, adequate supporting documentation, such as paid invoices or receipts, purpose, and participants should be submitted prior to payment.
- B.2. Ensure expense reports are submitted in a timely manner.

AUDITEE'S RESPONSE

- A.1. *This has been corrected. The director or assistant director will indicate "Approved for payment" on all invoices or vouchers signifying receipt of material ordered, price verification, or service performed.*
- A.2. *Prior to November 2000, there were instances noted of credit card purchases not supported by adequate documentation. However, since then all credit card purchases are supported by adequate documentation. A monthly expense report with appropriate documentation is required in those instances where credit cards are used for travel and meeting purchases.*
- A.3. *The Auditor's Report cites a letter from the Court to the Board wherein the Court sets forth expense guidelines, (Runzheimer International – Guide to Daily Travel Prices – 1999) to be followed. Following the Court's communication, expenditures for travel and meals have been within the suggested ranges.*

With respect to the examples listed, more people were reportedly present at some of the dinners than listed in the documentation. At some 3-day meetings, our Board members were taken to dinner or lunch at the expense of law examiners from other states. Our Board is now aware that in those situations it is not permissible to reciprocate and have the state pay for non-state employees.

- A.4. *A gift for a departing board member has been a standing practice of the board. In reviewing past audit reports there was no mention of this practice. While the Board receives some compensation from examination fees, all members serve at a substantial financial sacrifice and a \$169 memento for ten years of public service is not exorbitant.*

While the interview lasted one day on a Monday in Kansas City, the candidate spent three days as part of the selection process. This candidate was highly sought after and had never had the opportunity to see Jefferson City. Upon the board's suggestion that he visit the Jefferson City area he flew to Kansas City on Friday night, traveled to Jefferson City on Saturday and returned to Kansas City on Sunday. He had the interview on Monday and returned to his home state.

Initially the claim for the rental car was denied, but after discussion at many levels it was directed that the claim, for this time only, be approved. Requests for use of a rental car must now be approved in advance.

It had been a past practice that master billings were set up for charges by board members at their meetings. Master billing is now limited for lodging with all other expenses being submitted on the monthly expense report.

- B.1. *The board member concerned omitted the documentation in error, but did submit it upon request.*

- B.2. *A board member did in fact submit a letter requesting payment for expenses he incurred. The expenses covered the period March 8, 1999 to October 10, 1999. The request for compensation was submitted on October 14, 1999. Apparently, there was no action on this request. On January 14, 2000, the invoice was resubmitted and paid. The time period between the beginning of October to the middle of November 1999 the BLE office was being relocated from the Supreme Court building to its present location. Apparently, during this transition the original invoice with supporting documentation was lost or misplaced and reimbursement was made on the duplicate invoice submitted on January 14, 2000. As previously mentioned, more than one person may have been included in the meal expenses.*

2. Expenditures

- A. Supreme Court expenditures from appropriated funds totaled approximately \$1.2 million, \$1.2 million, and \$1.1 million (excluding payroll), during the years ended June 30, 2002, 2001, and 2000, respectively. During our review of expenditures, we noted the following concerns related to approval of expenditures:

- 1) Numerous payments were processed without a properly approved purchase order. The Supreme Court prepares purchase orders for some expenditures, but has not established formal written procedures specifying when purchase orders are required and who should approve them.

Purchase orders are necessary to document prior approval of expenditures and to monitor and track expenditures. Policies are necessary to inform all parties of purchase order requirements.

- 2) Numerous invoices did not include an indication of approval by the fiscal officer. The fiscal officer indicated that he approves all expenditures prior to payment; however, documentation of this approval was apparently not retained. Current procedures require that the fiscal officer approve all expenditures prior to payment. To ensure the propriety of expenditures, all invoices should include documentation of approval. The fiscal officer and law librarian began documenting their approval on all invoices in April 2002, after we brought this to their attention.

- B. The Supreme Court began a historical preservation project during fiscal year 2000 for the purpose of improving the historic character of the Supreme Court building. Project expenditures have included interior design consultation; remodeling and painting; and purchases of period furnishings, artwork, and other decorations. During fiscal year 2001, the Supreme Court was appropriated and expended \$44,050 designated specifically for the historic preservation of the Supreme Court building. In fiscal year 2002, the Supreme Court continued to fund the project from its core budget.

A significant portion of the historical preservation project funds has been paid to an interior design consulting firm. The Supreme Court paid this firm approximately \$40,000 for interior design consulting, various furnishings, and other services during fiscal years 2002, 2001, and 2000. During our review of payments to this firm, we noted the following:

- 1) The Supreme Court did not document the selection process for the interior design consulting services. Officials indicated other consultants with similar expertise were considered; however, documentation was not retained regarding other consultants considered and the justification for the vendor selected.

Although costs associated with historic preservation projects may be somewhat unique, formal bidding and selection procedures should be used to the extent possible to ensure the Supreme Court is receiving the best services and rates. Documentation of the process should be retained to support decisions made.

- 2) The Supreme Court did not enter into a written contract with the interior design consulting firm. The firm was paid approximately \$10,900 for consulting services, at rates of up to \$90 per hour.

All contracts entered into by the Supreme Court should be in writing and should be signed by each of the parties or their agents. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding, help ensure the reasonableness and propriety of such expenditures, and prevent misunderstandings.

- 3) Many of the disbursements for rugs, antique furniture, and furniture reupholstering and refurbishing services were paid directly to the interior design consulting firm, although the firm does not have these items in inventory or provide these services. The firm purchased the items or obtained the services and then billed the Supreme Court for them. The firm indicated to the Supreme Court that they did not charge a mark up on these items and services; however, the Supreme Court did not require supporting documentation, such as the original invoice, to ensure they were paying only the actual cost of the items and services.

Original invoices should be reviewed to ensure the validity and propriety of the expenditures.

C. Our review of payments to employees for travel reimbursements noted the following:

- 1) Most expense reports reviewed were not approved by the employees' immediate supervisor. Expense reports are generally approved by the

fiscal officer, rather than the direct supervisor of the claimant. To ensure validity and propriety of expense reimbursements, the reimbursement claims should be reviewed and approved by the employees' immediate supervisor.

- 2) Prior approval of out-of-state travel is not always documented. Officials indicated the Supreme Court Clerk approves out-of-state travel requests submitted by employees; however, this documentation is not always retained. Documentation of travel requests and approval should be retained.
- 3) Expense reimbursement requests are not always submitted on a timely basis. We noted one expense reimbursement totaling \$2,899 in fiscal year 2002 which included a period of four months. Failure to require expense reimbursement requests on a monthly basis reduces the ability to monitor total travel expenses. The Supreme Court should ensure expense reimbursement requests are received on a timely basis.

D. Our review of food expenditures noted the following:

- 1) The Supreme Court has not established price limits/guidelines regarding per person meal costs for meetings. Some expenditures for meals provided for Supreme Court officials, employees, and committee members were noted in which the cost per person appeared excessive. Examples included: \$420 (\$70 per person) paid to a restaurant in St. Louis for a dinner associated with a May 2000 meeting of the Appellate Judicial Commission, \$299 (approximately \$50 per person) paid to a restaurant in St. Louis for six Supreme Court Judges attending an October 2001 meeting with the Missouri General Council, \$302 (approximately \$43 per person) reimbursed to the Chief Justice for a dinner associated with a March 2002 meeting with the Appellate Judicial Commission, and \$455 (approximately \$28 per person) paid to a hotel for a lunch during a Civil Rules Committee meeting at the September 2000 Judicial Conference.

Written meal guidelines should be established to control the expenditure of state resources.

- 2) Expenditure documentation for some meals did not include an accurate listing of whom the meals were provided for or documentation of the business purpose for providing the meals. Meal expenditures should be supported by documentation of the names of those in attendance and the business purpose for the meeting.

WE RECOMMEND the Supreme Court Clerk:

- A.1. Develop formal written purchase order policies, including cost and approval requirements, and ensure purchase orders are prepared and approved according to the policy.
- A.2. Continue to ensure all expenditures are properly approved.
- B.1. Ensure all documentation of the bidding or selection processes is retained.
- B.2. Enter into written contracts that specifically state the services to be provided and compensation terms. Expenditures should be monitored for compliance with the terms of the contract.
- B.3. Require original invoices be submitted when purchasing goods and services through consultants.
- C.1. Require expense reimbursement claims be approved by the claimant's immediate supervisor.
- C.2. Ensure approval of out-of-state travel is documented.
- C.3. Ensure expense reports are submitted monthly.
- D.1. Develop a policy outlining reasonable meal expenditure guidelines.
- D.2. Require adequate documentation for all meal expenditures prior to payment.

AUDITEE'S RESPONSE

- A.1. *The purchasing function is extremely centralized at the Supreme Court. Departments within the Court do not make purchases without assistance from the fiscal office. The Supreme Court has established a policy regarding the issuance of purchase orders. This policy provides guidance to staff regarding the purchase of necessary items and details the approval process for such purchases.*
- A.2. *All invoices are reviewed by the fiscal officer upon receipt at the Court. Invoices are also reviewed by the deputy fiscal officer during the payment process. When processing for payment, the deputy fiscal officer notes her approval on the funding/approval stamp. This becomes a part of the permanent invoice file. Based on recommendations made by the audit team during the audit, the fiscal officer now makes a notation on each invoice he reviews indicating approval before forwarding to the deputy fiscal officer for payment. A similar process is now in place for invoices approved by the law librarian.*

- B.1. *While exhaustive efforts were made to select the most qualified consultant for the historic preservation project, documentation of this process was lacking. The selection process involved interviews with prospective designers, review of their credentials, inquiries made as to their quality of work and historical background, and proposed rates for their work. Several staff members of the Court participated in this process. A centralized file was not maintained over the course of the selection process. A selection was made based on decisions made during meetings of the Court staff. In the future, a central file will be maintained by the fiscal office documenting the selection process.*
- B.2. *The design firm submitted invoices for work done based on oral agreements for specific activities within the historic preservation project. The design firm and the Court agreed on a general outcome to be achieved by the historic preservation project and then the project was broken down into several phases. The phases were completed as materials and historic items became available. This process allowed both the design firm and the Court flexibility in their approach to this project. The Court moved through this project treating each phase as an individual project. Each phase stood on its own based on merit and fund availability. The Court understands the value of written contracts and will utilize written contracts whenever possible.*
- B.3. *Historic items meeting the criteria established by the Court for this project were extremely difficult to obtain. The design firm provided a valuable service in the procurement of several items during the historic preservation project. Items were obtained from many sources, including sources not known to the Court in those instances where the design firm made the initial purchase. Whenever possible purchases were made directly from the seller, such as a dealer in antique furniture in St. Louis. Other items were purchased through the design firm due to availability issues, (turnaround time for payment of an invoice) or vendor arrangements made by the design firm prior to this project. Fair market value was always established prior to purchase. Market pricing was researched by the design firm and Court staff in order to support the price paid for an item. Most of the antique furniture's value was verified by an accredited appraiser. Written appraisals were not sought due to the cost.*
- C.1. *The Supreme Court is a very compact organization. Interaction of employees is usually on a one-to-one basis. If an employee travels, the fiscal office is involved in some portion of that process. Examples would be assisting in making travel arrangements, making hotel reservations, outlining what the limits are regarding reimbursements and providing the employee with the required travel reimbursement forms. The fiscal office also maintains a line of communication with the employee's supervisor. The supervisor usually refers the employee to the fiscal office for assistance. The fiscal office has prior notice of the travel event, maintains communication with the supervisor and reviews in detail the travel reimbursement form submitted by the employee. The fiscal office investigates any questionable expenses and resolves the matter with the employee and their supervisor. Policy has been amended to include review and approval by the employee's supervisor.*

- C.2. *Travel policy will include approval by Clerk of the Court for out-of-state travel.*
- C.3. *Policy will be revised to include a statement requiring travel expense reimbursement forms be submitted within 30 days of travel.*
- D.1. *The Supreme Court has several committees and commissions by which functions of the Court are carried out. Most of the committee/commission members are not paid for their services and serve many hours and many years as volunteers. The Appellate Judicial Nominating Commission for example will meet for a full day of interviews and sometimes two full days of interviews with a commission dinner held at the end of the interview process to discuss findings and make recommendations. Traditionally these dinners, attended by Commission members only are held at restaurants where a private room can be reserved. The Supreme Court has adopted the State of Missouri agency provided food policy for meetings conducted by the Court. The Court will continue to use this policy along with the Runzheimer International Guide to Daily Travel Prices whenever possible to control expenditures for meals.*
- D.2. *The Supreme Court makes a concerted effort to provide documentation showing the business purpose and list of attendees for business meals reimbursed by the State. The Office of Administration, Division of Accounting, requires this information in order to issue payment for these expenditures. We will continue to monitor these expenditures and request documentation for these expenditures.*

3.	Clerk's Trust Fund
-----------	---------------------------

There is not an adequate segregation of duties over the Clerk's Trust Fund. Cash handling and record-keeping functions have been delegated to primarily one individual. Mail is received and distributed by the court receptionist to the fund custodian. The initial record of receipt is prepared when receipts are posted to the accounting records by the fund custodian. The fund custodian also prepares the deposits. Although checks must be signed by two individuals, they are prepared and distributed by the fund custodian.

Segregation of duties provides a means of establishing controls over public monies and thus minimizes the risk for loss, theft, or misuse of funds. If segregation of duties is not possible, the preparation of a mail log of receipts would provide a source document which an independent third party could reconcile to deposits. In addition, someone other than the fund custodian should distribute the checks.

WE RECOMMEND the Supreme Court Clerk implement an adequate system of internal controls over the Clerk's Trust Fund.

AUDITEE'S RESPONSE

The Court will establish a process by which the receipts of the Clerk's Trust Fund are recorded in a receipt log at the receptionist desk, the funds are then forwarded to the fund custodian for processing and posting to the accounting records. A reconciliation of the two databases will be completed on a monthly basis.

4. Payroll Procedures

There is no supervisory review of payroll duties to provide necessary internal controls over the payroll function. The fiscal officer enters all payroll information, including salary amounts and employee information, into the Statewide Advantage for Missouri system (SAM II), Human Resources (HR) system with no supervisory approval or review. The fiscal officer is also responsible for all other payroll duties including record keeping, reviewing timesheets, disbursing payroll checks, distributing employee W-2 forms, and maintaining personnel files.

Proper internal controls over payroll functions should include adequate segregation of duties. If segregation of duties is not possible, on-line approval of SAM II HR entries or periodic supervisory review of payroll disbursements would minimize the risk for loss, theft or misuse of funds.

WE RECOMMEND the Supreme Court Clerk perform a supervisory review of the payroll duties performed by the fiscal officer.

AUDITEE'S RESPONSE

While the Court has an approval process in place and several Court staff members are involved in the decisions regarding the hiring and salary levels of Court employees, the fiscal office has full responsibility for entry of salary and employee information. The fiscal officer enters payroll information including salary amounts and employee information. The fiscal officer has all levels of approval enabling the entries to go directly into the system. The fiscal officer I and chief deputy clerk assist the fiscal officer with leave entry and a separate database is maintained for leave balances in order to reconcile the entries.

In order to increase separation of duties and provide additional supervisory review, staff who have had the basic SAM II training and have access to the system will assist in the entry of employee and salary information. Additional supervisory review will be achieved through the generation of summary reports showing details of salary and position changes.

5. State Vehicles

Vehicle logs did not always include adequate documentation. Instances were noted in which the purpose, destination, and/or mileage was not recorded on the vehicle log. For

example, one entry on the log indicated the vehicle was driven 809 miles; however, there was no documentation of the destination, purpose, or driver. Without proper documentation of vehicle usage, it is not possible to determine if state-owned vehicles were used for official business.

In addition, vehicle logs were not retained for the period from July 1999 to February 2001. Personnel indicated that vehicle logs were completed for the four vehicles, and a computerized summary of the logs was prepared; however, the logs and most of the summaries cannot be located.

WE RECOMMEND the Supreme Court Clerk ensure that accurate vehicle travel logs, including the date, name of employee, odometer readings, and purpose of each trip be maintained for all vehicles. The logs should be monitored to determine reasonableness of mileage incurred, and to ensure that vehicles are used for authorized purposes.

AUDITEE'S RESPONSE

The Court will continue to monitor the vehicle logs for completeness. Drivers of vehicles are required to note information on the log form including driver's name, date, destination, purpose of trip, and mileage driven. When completed, logs are submitted to Chief Deputy Clerk's office for entry into the Vehicle Travel Log database. The database stores the log information for each vehicle. The database is backed up by the completed vehicle log pages. The gap noted in the audit report occurred due to the data being stored on the computer hard drive with no back-ups being done. The hard drive failed resulting in the loss of data. The hardcopy of the files was misplaced due to the change in personnel. The data is now being stored on the network drive and being backed up on a regular basis. Care is being taken to better track the movement of hard copy within the office.

6. Fixed Assets

Our review of the Supreme Court's fixed asset records and procedures indicated the following:

- A. Fixed asset duties are not adequately segregated. The fiscal officer performs the physical inventory counts and maintains the records of fixed assets. To provide internal control and to properly safeguard assets from theft or misuse, physical inventory counts should be performed by someone independent of the custodial and record keeping functions.

Adequate fixed asset records and procedures are necessary to provide internal control over assets and ensure proper valuation of assets.

- B. Although court personnel indicated physical inventories are conducted, limited documentation of the physical inventories is maintained. In addition,

documentation of reconciliations between fixed asset records and physical inventory counts is not maintained.

To ensure all fixed assets can be properly accounted for, physical inventories should be conducted and reconciled to the fixed asset records. Documentation of the physical inventory and reconciliation to fixed asset records should be retained.

- C. We noted computer equipment purchased during fiscal year 2002 costing \$27,960, and two rugs purchased during fiscal year 2000 totaling \$3,900, which were not included in the fixed asset records. The failure to properly record fixed asset items reduces the control and accountability over fixed assets and increases the risk that loss, theft, or misuse of assets will not be identified on a timely basis.

WE RECOMMEND the Supreme Court Clerk:

- A. Ensure an individual independent of the record keeping function performs the physical inventory.
- B. Maintain adequate documentation of physical inventory counts and reconciliations to fixed assets records.
- C. Ensure all applicable fixed asset items are recorded in the fixed asset records.

AUDITEE'S RESPONSE

- A. *The Supreme Court will assign staff other than the fiscal officer to perform the physical inventory counts. This function will separate the counting function from the record keeping function assuring separation of duties in this area.*
- B. *As explained above, the counting function will be performed by staff other than the fiscal officer. When these counts are completed, the employee performing the physical count will sign the work papers and these will be maintained for review.*
- C. *These items were entered into the fixed asset records when this was brought to the Court's attention. These entries were verified by audit staff prior to close of the audit. We have taken steps in our payment process to better identify items requiring fixed asset tracking.*

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

SUPREME COURT OF MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Supreme Court was created by the Missouri Constitution of 1820. Seven judges serve the court for twelve-year terms. The seven judges select one of their number to be chief justice and preside over the court. The chief justice also handles many of the administrative details for the court.

A constitutional amendment in 1970 defined the jurisdiction of the Supreme Court more narrowly than in the past, resulting in it receiving fewer cases on appeal and directing more appeals to the court of appeals.

In 1976, Missouri voters approved a change in the state constitution, effective in 1979, that changed the structure of the Missouri court system, the qualifications of some judges, the retirement provisions, and the jurisdiction of the various courts. Under the amendment, the Supreme Court has exclusive appellate jurisdiction in all cases involving:

1. The validity of a treaty or statute of the United States or of a statute or provision of the Missouri Constitution.
2. The construction of the state's revenue law.
3. The title to any state office.
4. The appeal of all cases where the penalty imposed is death or imprisonment for life. A subsequent amendment in the state constitution eliminated the Supreme Court's exclusive appellate jurisdiction in cases involving imprisonment for life.

In addition to its decision-making powers, the court supervises the lower courts in the state and is assisted in this task by the Office of the State Courts Administrator, established in 1970. The Supreme Court also licenses lawyers practicing in Missouri and disciplines those found guilty of violating the legal code of professional ethics.

The Clerk of the Supreme Court supervises the internal administrative functions of the court and reports directly to the chief justice. The clerk is treasurer of the State Board of Law Examiners, ex officio treasurer of the Missouri Bar and the Missouri Bar Administration, and provides administrative and staff assistance to the Judicial Conference of Missouri as well as serving as secretary to the executive council and the conference. The clerk supervises the administration of security for the court judges, is responsible for building security, custodial services, and certain purchasing duties, and acts as bailiff when court is in session.

On June 30, 2002, the Supreme Court of Missouri was composed of:

<u>Judges</u>	<u>Term Expires</u>
Honorable Stephen N. Limbaugh Jr., Chief Justice	December 31, 2006
Honorable Laura Denvir Stith	December 31, 2002*
Honorable Richard B. Teitelman	December 31, 2004**
Honorable Duane Benton	December 31, 2004
Honorable William Ray Price Jr.	December 31, 2006
Honorable Ronnie L. White	December 31, 2008
Honorable Michael A. Wolff	December 31, 2012

Supreme Court Clerk
Thomas F. Simon

- * Judge Stith replaced Judge Ann K. Covington in March 2001. Voters determined in the November 2002 general election to retain Judge Stith for a full term which will expire December 31, 2014.
- ** Judge Teitelman replaced Judge John C. Holstein in March 2002. Judge Teitelman's name will be on the November 2004 general election ballot to determine if he will be retained.

In addition, the court employed sixty-nine full-time employees and seven part-time employees at June 30, 2002.

STATE COURTS ADMINISTRATOR

The Office of State Courts Administrator (OSCA) is responsible for providing administrative and technical support to the courts of Missouri. The duties and responsibilities assigned to the state courts administrator are broad in scope and relate to all levels of the state court system.

APPELLATE JUDICIAL COMMISSION

The Appellate Judicial Commission was established by the Constitution of Missouri, Article V, in 1940. The commission is composed of seven members which includes the chief justice of the Supreme Court and two residents from each of the three districts of the court of appeals. One member is elected from their number by members of the Missouri Bar residing in each district. One non-lawyer from each district is appointed by the governor.

The duties of the Appellate Judicial Commission include the nominations for judges of the Supreme Court, the court of appeals, and certain circuit and associate circuit divisions of the circuit court. Three nominations are presented to the governor for a judicial vacancy and a selection is made therefrom. After the judge has served at least one year in office, his or her name is placed on the ballot and the people vote for or against his or her remaining in office. The judge does not have an opponent, but is evaluated on his or her performance in office. For that reason the system is considered nonpartisan (nonpolitical).

JUDICIAL CONFERENCE OF MISSOURI

In 1943, the General Assembly established the Judicial Conference of Missouri. The conference is composed of all state judges and is governed by an executive council comprised of three Supreme Court judges, three appellate court judges, nine circuit court judges, three associate circuit court judges, and one retired judge. The chief justice of the Supreme Court is the presiding officer.

By statute, the conference is charged with studying the organization and administration of the state's judicial system, compiling data on the work of various courts, and making biennial reports to the legislature, including any recommendations the conference may have for improving laws. Since 1976 the chief justice has presented an annual State of the Judiciary address to a joint session of the General Assembly, reviewing the problems, needs, and goals of the judicial department. The statute also requires the conference to hold an annual meeting, to be attended by all judges, at which problems of the court administration and function are addressed.

SUPREME COURT LIBRARY

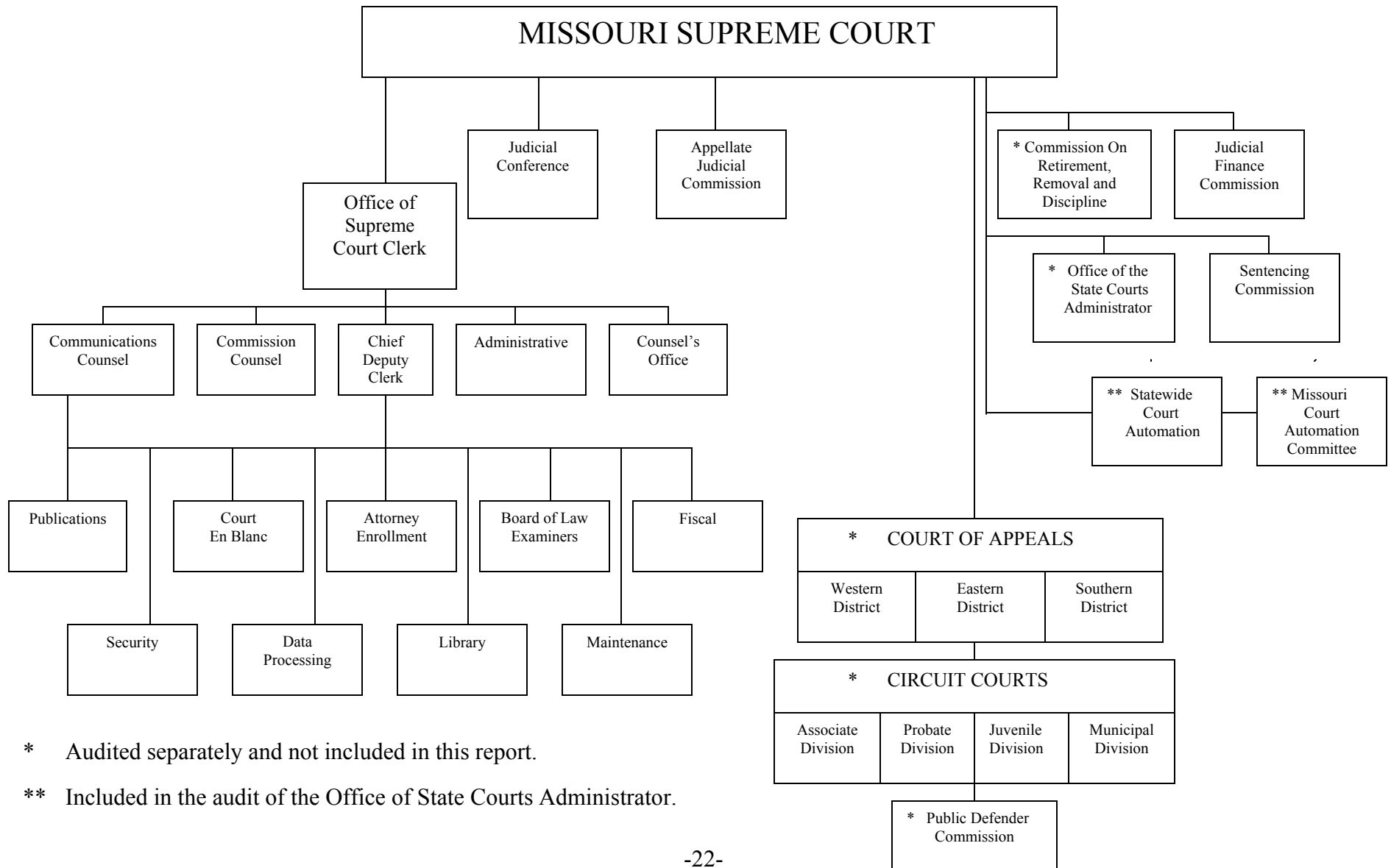
The Supreme Court Library, which is situated on the second floor of the Supreme Court Building, contains more than 100,000 volumes. These include the decisions of state and federal courts and federal administrative agencies, statutes of all states, 150 legal periodicals, legal textbooks, and many English decisions and statutes. In addition, the library contains computer research services for the use of court personnel.

The library's main responsibility is to meet the research needs of the Supreme Court, the attorney general's office, the General Assembly and the state's executive department agencies, but it also provides legal reference services and other resources to members of the bench and bar and the general public. It maintains daily hours throughout the year.

SUPREME COURT PUBLICATIONS

The Supreme Court publications department is responsible for preparing two publications that are available to the public on a subscription basis. The Opinion Summary provides subscribers with a brief digest of decisions from the Supreme Court and Court of Appeals. The Pending Issues Digest provides a brief summary of the issues raised in legal briefs filed in the Supreme Court of Missouri and Court of Appeals. Both publications are published monthly and provide indices by subject and tables of cases. The Missouri Approved Charges-Criminal and Missouri Approved Instructions-Criminal are also published by the publications department.

SUPREME COURT OF MISSOURI
ORGANIZATION CHART
JUNE 30, 2002



* Audited separately and not included in this report.

** Included in the audit of the Office of State Courts Administrator.

Appendix A

SUPREME COURT OF MISSOURI
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,								
		2002			2001			2000		
		Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE										
Judicial proceedings and reviews personal service	\$	2,536,482	2,506,856	29,626	2,521,992	2,495,660	26,332	2,420,386	2,375,571	44,815
Judicial proceedings and reviews expense and equipment		982,036	982,032	4	1,026,086	1,025,939	147	965,997	965,901	96
Supreme Court Judges Salaries		863,500	860,083	3,417	863,500	794,825	68,675	842,500	842,500	0
National Center of State Courts		129,039	129,039	0	122,312	122,312	0	116,925	116,925	0
Total General Revenue Fund - State		4,511,057	4,478,010	33,047	4,533,890	4,438,736	95,154	4,345,808	4,300,897	44,911
SUPREME COURT PUBLICATIONS REVOLVING FUND										
Judicial proceedings and reviews expense and equipment		80,000	79,980	20	80,000	72,278	7,722	80,000	76,305	3,695
Total Supreme Court Publications Revolving Fund		80,000	79,980	20	80,000	72,278	7,722	80,000	76,305	3,695
Total All Funds	\$	4,591,057	4,557,990	33,067	4,613,890	4,511,014	102,876	4,425,808	4,377,202	48,606

Note: Additional funds were appropriated to the Supreme Court, but those appropriations are administered or primarily administered by the Office of the State Courts Administrator (OSCA). Those appropriations were included in the audit of the OSCA. See Report No. 2002-111.

Appendix B

SUPREME COURT OF MISSOURI
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,		
	2002	2001	2000
Salaries and wages	\$ 3,366,940	3,290,484	3,218,073
Travel	110,496	113,381	117,509
Supplies	519,299	451,289	456,706
Professional development	184,665	181,937	173,631
Services:			
Communication	64,021	63,798	61,979
Health	0	0	169
Business	0	41,855	57,740
Professional	96,078	45,122	34,024
Housekeeping and janitorial	2,028	11,796	23,585
Maintenance and repair	73,117	78,454	49,651
Equipment:			
Computer	14,672	54,567	41,174
Electronic and photo	0	4,576	467
Motorized	0	0	7,178
Office	44,782	67,241	86,958
Other	15,514	0	0
Specific use	0	17,593	5,873
Property and improvements	34,414	55,223	9,838
Building lease payments	17,382	19,871	18,907
Equipment rental and leases	2,240	0	1,041
Building and equipment rentals	0	2,082	1,815
Miscellaneous expenses	10,845	11,745	10,884
Rebillable Expenses	562	0	0
Refunds	935	0	0
Total Expenditures	\$ 4,557,990	4,511,014	4,377,202

Note: Certain classifications of expenditures changed during the three-year period, which may affect the comparability of the amounts.

Appendix C-1

SUPREME COURT OF MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH (PUBLICATIONS REVOLVING FUND AND ALL AGENCY/NON-APPROPRIATED FUNDS)
YEAR ENDED JUNE 30, 2002

	Publications Revolving Fund	Board of Law Examiners Fund	Board of Law Examiners Verification Fund	Certified Court Reporters Fund	Clerk's Trust Fund	Clerk's Fee Fund
RECEIPTS						
Court deposits	\$ 0	0	0	0	5,020	0
Fees:						
Examination	0	452,900	0	6,300	0	0
Other	0	234,600	0	39,175	0	33,174
Product sales	142,224	0	0	0	0	0
Interest income	0	76,489	0	70	0	0
Other	18,344	479,847	0	600	0	0
Total Receipts	<u>160,568</u>	<u>1,243,836</u>	<u>0</u>	<u>46,145</u>	<u>5,020</u>	<u>33,174</u>
DISBURSEMENTS						
Expense and equipment	<u>79,980</u>	<u>783,888</u>	<u>7,926</u>	<u>27,531</u>	<u>4,264</u>	<u>0</u>
Total Disbursements	<u>79,980</u>	<u>783,888</u>	<u>7,926</u>	<u>27,531</u>	<u>4,264</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	80,588	459,948	(7,926)	18,614	756	33,174
OTHER FINANCING SOURCES (USES)						
Transfers in	0	0	9,000	0	0	0
Transfers out	<u>(10,219)</u>	<u>(9,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(29,944)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	70,369	450,948	1,074	18,614	756	3,230
CASH BALANCE, JULY 1	<u>59,569</u>	<u>1,724,497</u>	<u>1,307</u>	<u>21,087</u>	<u>1,094</u>	<u>3,516</u>
CASH BALANCE, JUNE 30	<u>\$ 129,938</u>	<u>2,175,445</u>	<u>2,381</u>	<u>39,701</u>	<u>1,850</u>	<u>6,746</u>

The Board of Law Examiners Fund, Board of Law Examiners Verification Fund, Certified Court Reporters Fund, Clerk's Trust Fund and Clerk's Fee Fund are maintained in accounts outside the state treasury.

Appendix C-2

SUPREME COURT OF MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH (PUBLICATIONS REVOLVING FUND AND ALL AGENCY/NON-APPROPRIATED FUNDS)
YEAR ENDED JUNE 30, 2001

	Publications Revolving Fund	Board of Law Examiners Fund	Board of Law Examiners Verification Fund	Certified Court Reporters Fund	Clerk's Trust Fund	Clerk's Fee Fund
RECEIPTS						
Court deposits	\$ 0	0	0	0	2,885	0
Fees:						
Examination	0	498,095	0	2,100	0	0
Other	0	182,200	0	7,875	0	37,655
Product sales	42,453	0	0	0	0	0
Interest income	0	99,028	0	161	0	0
Other	22,298	154,831	0	750	0	0
Total Receipts	<u>64,751</u>	<u>934,154</u>	<u>0</u>	<u>10,886</u>	<u>2,885</u>	<u>37,655</u>
DISBURSEMENTS						
Expense and equipment	<u>81,860</u>	<u>709,555</u>	<u>4,286</u>	<u>11,653</u>	<u>2,926</u>	<u>0</u>
Total Disbursements	<u>81,860</u>	<u>709,555</u>	<u>4,286</u>	<u>11,653</u>	<u>2,926</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,109)	224,599	(4,286)	(767)	(41)	37,655
OTHER FINANCING SOURCES (USES)						
Transfers in	0	0	5,593	0	0	0
Transfers out	<u>(2,179)</u>	<u>(3,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(37,826)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	(19,288)	221,599	1,307	(767)	(41)	(171)
CASH BALANCE, JULY 1	<u>78,857</u>	<u>1,502,898</u>	<u>0</u>	<u>21,854</u>	<u>1,135</u>	<u>3,687</u>
CASH BALANCE, JUNE 30	<u>\$ 59,569</u>	<u>1,724,497</u>	<u>1,307</u>	<u>21,087</u>	<u>1,094</u>	<u>3,516</u>

The Board of Law Examiners Fund, Board of Law Examiners Verification Fund, Certified Court Reporters Fund, Clerk's Trust Fund and Clerk's Fee Fund are maintained in accounts outside the state treasury.

The Board of Law Examiners obtained custody of the Verification Fund on March 1, 2001.

Appendix C-3

SUPREME COURT OF MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH (PUBLICATIONS REVOLVING FUND AND ALL AGENCY/NON-APPROPRIATED FUNDS)
YEAR ENDED JUNE 30, 2000

	<u>Publications Revolving Fund</u>	<u>Board of Law Examiners Fund</u>	<u>Certified Court Reporters Fund</u>	<u>Clerk's Trust Fund</u>	<u>Clerk's Fee Fund</u>
RECEIPTS					
Court deposits	\$ 0	0	0	2,278	0
Fees:					
Examination	0	514,700	3,000	0	0
Other	0	184,975	8,075	0	37,463
Product sales	91,194	0	0	0	0
Interest income	0	66,018	158	0	0
Other	2,207	170,227	1,560	0	0
Total Receipts	<u>93,401</u>	<u>935,920</u>	<u>12,793</u>	<u>2,278</u>	<u>37,463</u>
DISBURSEMENTS					
Expense and equipment	<u>70,313</u>	<u>747,924</u>	<u>11,134</u>	<u>5,790</u>	<u>0</u>
Total Disbursements	<u>70,313</u>	<u>747,924</u>	<u>11,134</u>	<u>5,790</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	23,088	187,996	1,659	(3,512)	37,463
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	0	0
Transfers out	<u>(68,040)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(37,317)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	(44,952)	187,996	1,659	(3,512)	146
CASH BALANCE, JULY 1	<u>123,809</u>	<u>1,314,902</u>	<u>20,195</u>	<u>4,647</u>	<u>3,541</u>
CASH BALANCE, JUNE 30	<u>\$ 78,857</u>	<u>1,502,898</u>	<u>21,854</u>	<u>1,135</u>	<u>3,687</u>

The Board of Law Examiners Fund, Board of Law Examiners Verification Fund, Certified Court Reporters Fund, Clerk's Trust Fund and Clerk's Fee Fund are maintained in accounts outside the state treasury.

Appendix D

SUPREME COURT OF MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH (PUBLICATIONS REVOLVING FUND AND ALL AGENCY/NON-APPROPRIATED FUNDS)

	Year Ended June 30,				
	2002	2001	2000	1999	1998
RECEIPTS					
Court deposits	\$ 5,020	2,885	2,278	1,657	4,483
Fees:					
Examination	459,200	500,195	517,700	494,275	465,500
Other	306,949	227,730	230,513	272,336	294,058
Product sales	142,224	42,453	91,194	162,238	53,679
Interest income	76,559	99,189	66,176	33,347	26,619
Other	498,791	177,879	173,994	123,970	167,064
Total Receipts	<u>1,488,743</u>	<u>1,050,331</u>	<u>1,081,855</u>	<u>1,087,823</u>	<u>1,011,403</u>
DISBURSEMENTS					
Expense and equipment	<u>903,589</u>	<u>810,280</u>	<u>835,161</u>	<u>735,048</u>	<u>737,702</u>
Total Disbursements	<u>903,589</u>	<u>810,280</u>	<u>835,161</u>	<u>735,048</u>	<u>737,702</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	585,154	240,051	246,694	352,775	273,701
OTHER FINANCING SOURCES (USES)					
Transfers in	9,000	5,593	0	0	0
Transfers out	<u>(49,163)</u>	<u>(43,005)</u>	<u>(105,357)</u>	<u>(44,166)</u>	<u>(133,951)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	544,991	202,639	141,337	308,609	139,750
CASH BALANCE, JULY 1	<u>1,811,070</u>	<u>1,608,431</u>	<u>1,467,094</u>	<u>1,158,485</u>	<u>1,018,735</u>
CASH BALANCE, JUNE 30	<u>\$ 2,356,061</u>	<u>1,811,070</u>	<u>1,608,431</u>	<u>1,467,094</u>	<u>1,158,485</u>

* * * * *